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## Governance Risk Indicators - RiskMetrics Replaces "CGQ" with New Measure of Governance-Related Risk

### How this will affect issuers

#### To Our Clients and Friends:

RiskMetrics is finally ready to launch the successor to its *Corporate Governance Quotient* (CGQ) product that will be called *Governance Risk Indicators* (GRId). GRId will replace the CGQ on proxy research reports beginning in early March 2010. There will be approximately 70 variables utilized for evaluating U.S. and Canadian companies, and a minimum of 70 variables for non-U.S. markets, slightly higher than those used for current CGQ ratings. While the underlying premise to identify governance-related concerns remains the same, GRId represents key differences over CGQ, including:

#### Shift to Absolute from Relative Score

Instead of the current relative score with respect to a company's index and industry, GRId will provide an absolute measure of a company's governance practices. GRId will assess an issuer along four dimensions of corporate governance: (1) board structure, (2) compensation/remuneration, (3) shareholder rights and (4) audit issues. A company will be scored on the various factors that constitute these categories, and the scores will then be weighted to indicate a low, medium or high level of concern for each of these categories.

We think that the move from a relative to an absolute scoring is a good one. The change permits companies to think about governance holistically rather than chasing a relative ranking in order to gain the highest score, irrespective of the potential impact of various governance changes on a company's business. It is a more appropriate measure, dependent on a company's own governance practices and not driven by the practices and changes at other companies. Note, however, that this may highlight corporate governance concerns at certain companies that might earlier have benefited from favorable comparisons because of less progressive industry practices. On the other hand, some companies that suffered from unfavorable comparisons should benefit. Also, note that the new methodology will include a much more robust compensation section, which can be seen as bringing the methodology more in line with the current market focus on compensation issues.

#### Stronger Alignment with Benchmark Policy

The GRId methodology and factors would be closely aligned with RiskMetrics benchmark policy and would be updated annually in conjunction with RiskMetrics' policy updates. RiskMetrics believes that this will ensure that GRId assessments are relevant and reflect evolving best practices. Without getting into the debate of appropriateness of certain benchmark policies, we think that more closely aligning governance measure with benchmark policy should provide a more consistent message in RiskMetrics reports even though companies may still disagree with the RiskMetrics positions on some governance issues. The updated approach however would still fail to capture certain intangibles and other factors that are likely better reflections of the robustness of the boardroom process, but admittedly can be difficult to measure.

#### Greater Transparency

Another important distinction from the current CGQ ratings would be the greater transparency that the new methodology is expected to provide. RiskMetrics will make available later this month a technical document that will allow issuers to replicate assessments of risk across the four dimensions of GRId, as it would appear in RiskMetrics reports. Additionally, a data verification site will be freely available to all corporate issuers and we continue to encourage clients to be diligent in verifying the data.

### How This Change Impacts You?

Issuers should make note of this upcoming change, especially those who may be considering making changes to their corporate governance profile to improve their corporate governance ratings. While Georgeson recommends that corporate governance changes should be made based on an individual company's needs and not necessarily for a better ratings assessment, issuers could benefit from familiarizing themselves with the new set of factors and any resultant change in the assessment of their corporate governance practices. Issuers should also utilize the freely accessible data verification tool to fact check the accuracy of the data used in RiskMetrics ratings analysis.

It still remains our view that governance ratings have marginal, if any, impact on how shareholders vote their proxies. However, the ratings still prevail on public and proprietary websites such as Yahoo Finance or Bloomberg, and can be picked up by mainstream and non-mainstream electronic and print media news coverage of public companies. And to a limited extent, activist investors may use the ratings to screen targets for governance campaigns including submissions of shareholder proposals or for proxy contests. Thus, it is clearly a development that should not be ignored.

More detailed information on the new methodology can be accessed at the following link:  
<http://www.riskmetrics.com/grid-info>

Georgeson will continue to monitor developments related to this and other corporate governance issues and to advise clients and friends accordingly.

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Georgeson has a team of experts who are prepared to meet clients' needs in connection with both proposed and ongoing RiskMetrics policies. If you have any questions, please feel free to contact your regular Account Executive or any of the following Georgeson executives:

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